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**Statement Before the
U.S. House Committee on Government Reform
Subcommittee on Federalism and the Census**

**October 25, 2005
Bethlehem, Pennsylvania**

Mr. Chairman and members of the Committee, thank you for the opportunity to present my statement today.

I'm Stephen G. Donches, President and CEO, National Museum of Industrial History, in Bethlehem, PA.

Today, I will be speaking about our approach to brownfields remediation during the time I was vice president of public affairs, Bethlehem Steel Corporation, in charge of the redevelopment of the idled former steel plant in Bethlehem, Pennsylvania and the benefits of the Pennsylvania law.

The decision to close an operation is never an easy one and, without exception, it presents hardships for affected employees and communities. Historically, the loss of jobs, business opportunities and tax revenues is usually further aggravated by the fact that too many sites remained dormant because existing laws and practices, principally environmental laws and financing practices, provided no incentive for the owner, or a prospective owner, to redevelop the property. In fact, if anything, there were usually disincentives to taking action.

So, no one benefited. No job replacements. No replacement tax revenues. And no new business development.

And, usually, to make matters worse, the neighborhood had to tolerate blight on the landscape for an indefinite time.

The steel industry along with other old line industries suffered through downsizing and restructuring during much of the 1980's and 1990's at which time numerous plants in many states were closed or significantly reduced in size, leaving many sites totally or significantly unused. Bethlehem Steel, for example, went from more than 100 separate operations, including 12 steel plants, in 1970 to about 20 operating units, including just 4 major steel plants prior to its bankruptcy.

Depending on which state a shutdown facility was located, a company may or may not have had reasonable options for sale and reuse of the sites.

A contrast in two states' approaches, which affected plans for reuse of properties, is New York and Pennsylvania. Bethlehem had closed a major steel operation in Lackawanna, NY in the early

1980's, and it also closed the Bethlehem Plant in Pennsylvania in the mid-1990's.

The Lackawanna Plant, under then NY law, did not provide for utilization of a brownfields cleanup and liability release, and, consequently, other than demolition, little progress was made on that site. Only a couple of operations remained active and sales of property were difficult at best. Office buildings, which generally did not pose the threat of possible contamination, and some ongoing operations were able to be sold. Programs for reuse of the site, I believe, are still under discussion.

Contrast that with Pennsylvania's approach when Governor Tom Ridge took office in 1995. He campaigned for reform of environmental laws and promptly set about to change them with the passage of the Land Recycling Act early that year. As you have heard, it became Act 2, which gives everyone an idea of the priority it had with his Administration. Pennsylvania became one of most progressive-thinking states with the passage of this and related laws.

It is now possible to address the uncertainty associated with brownfields cleanup and to bring finality with a liability release, at least as far as the Commonwealth of Pennsylvania, is concerned. That left the federal issue open.

It is safe to say (matter of fact, our chairman Hank Barnette did say at the time) that, if Pennsylvania had not had the Land Recycling Act when Bethlehem Steel closed its Bethlehem Plant, it would not have been possible for Bethlehem to plan for the adaptive reuse projects, known as Bethlehem Works and Bethlehem Commerce Center. Today's BethWorks Now project and the LVIP development at the Bethlehem Commerce Center are only possible because of the Pennsylvania brownfield law.

In addition to the new brownfields law itself, there were several key factors that positioned the 1,800 acres of the plant for the opportunity that exists today.

One was leadership provided by the Department of Environmental Protection under Secretary James Seif and now being continued by Secretary McGinty.

Another was the enlightened management of Bethlehem Steel that was willing to take some measured risks in applying the new law to its property and to negotiate some uncharted waters.

Many of the principals in both the Department of Environmental Protection and Bethlehem Steel were the same before the new law and afterwards. The difference was that, with the new law in place and with inspired leadership, instead of an adversarial approach to environmental issues with little or no progress, the parties saw an opportunity to convert an inactive operation into a potentially prosperous community economic development project by jointly addressing the issues.

Another key factor was that DEP introduced EPA into the project at an early date. This turned out to be significant because all the principal parties – the decision makers - were at the table for all important meetings: Bethlehem Steel and its advisors, DEP and EPA.

The importance of this approach was that surprises were eliminated, or at least minimized, because new information that was developed was shared more or less simultaneously.

We were all going through an adjustment period – a learning period – of building trust in each other and interpreting a new law. Initially, Bethlehem was looking at a 163-acre parcel that had been the location of typical steel operations – blast furnaces, electric furnaces, former open hearths, machine shops, forging facilities, foundries, etc.

The question for Bethlehem Steel at the time of the shutdown was “what could we do to help revitalize the community?” And, it follows, what were the obstacles we might face?

Generally, after studies to determine the highest and best use for the land, potential developers consistently raised four questions:

1. Who owned the land and how many owners were there?
2. How many government entities were involved?
3. What was the zoning?
4. How will environmental issues be managed?

While all of the questions were pertinent and important, the fourth question on environmental issues was critical to the property’s future. Without voluntary cleanup standards and

liability release, the prospects for finding investors and developers were very slim.

Bethlehem began by selecting an eight-acre parcel known as the Webster Street Redevelopment, where there are technology centers today, including Orasure. Since Act 2 was new at the time, we wanted to understand its complexities and determine how long the process might take. The pilot project turned out to be quite valuable and we went on to include the entire 163 acres of Bethlehem Works and, eventually, the remaining 1,600 acres of the Bethlehem Commerce Center.

What did we think were essential actions for a successful conclusion of the remediation plan?

At Bethlehem Works, the studies and the development of a detailed remediation plan was essential. Although intensive and time consuming, it was a necessary part of the process because it told Bethlehem's management and Board that at the end of this process uncertainty would be eliminated and, upon approval and implementation of the remediation plan, there would be a release from liability. Bethlehem could prepare the land for sale with a certain amount of confidence and buyers, banks and municipalities

could participate without fear of being in the chain of title for liability.

By pursuing this course of action, Bethlehem was able to prepare most of the acreage for sale and reuse. DEP and EPA called the Bethlehem Works remediation plan “a national model for brownfields redevelopment.”

Bethlehem Steel had projected that, when fully developed, investment of private and public dollars in the Bethlehem Works and Bethlehem Commerce Center projects would approach \$1.2 billion, would create between 7,500 and 10,000 jobs, and would generate new tax revenues approximating \$70 million.

These projections still look good today, but now the investment looks like it will approach or exceed \$2 billion.

To date there has been significant investment in a power plant by CONECTIV, an intermodal facility by Lehigh Valley Rail serving Norfolk Southern Railroad, three technology facilities, an ice skating arena, LVIP’s new industrial park, and on-site public infrastructure of more than \$25 million. Site preparation and planning by Bethlehem Steel exceeded \$40 million.

In addition, Federal and state funding for the upgrade of state highway 412 will be close to \$60 million. BethWorks Now has projected investment of almost \$900 million, and the National Museum of Industrial History in association with the Smithsonian Institution has a \$25 million project it is pursuing.

None of this would have happened if Pennsylvania did not have a progressive brownfields law in place. By eliminating the uncertainties of clean-up and putting a finality to liability, many good things are happening, and what could have been another blighted industrial site has the promise of a successful brownfield redevelopment.

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